

TESTIMONY OF THE HON. ROSA L. DELAURO
THE NATIONAL INFRASTRUCTURE DEVELOPMENT BANK ACT (H.R. 2521)
WAYS AND MEANS SUBCOMMITTEE ON SELECT REVENUE MEASURES
THURSDAY, MAY 13, 2010

Thank you Chairman Neal, Ranking Member Tiberi and members of the subcommittee for holding this timely hearing and for inviting me to testify about my proposal to create a national infrastructure bank. It is an honor to be testifying in front of this subcommittee with such an esteemed group of experts and proponents of smart investment in our infrastructure.

We are all too frequently reminded of our crumbling infrastructure. In 2003, the Northeast experienced a major and widespread blackout. We will all never forget the breaking of the levees in the Gulf in 2005 as Hurricane Katrina moved toward New Orleans or the major I-35 bridge collapse in Minneapolis in 2007, and the resulting tragic loss of life. Just this month, the people of Boston endured a “catastrophic” pipe break that shut off water for 2 million people.

Along with the human cost of failing to invest in our infrastructure, there is also an economic cost in terms of lost opportunities for the type of job creation and economic growth we need to remain competitive in the 21st century. China puts 9 percent of its GDP into infrastructure, India 5 percent and rising. Here, we spend less than 2 percent of GDP.

Moreover, other nations are investing these hefty sums in 21st century infrastructure, while we too often are using our money to shore up old, legacy systems. Take, for example, China, which is investing the lion’s share of a recent \$600 billion stimulus in high-speed rail

networks. The Chinese will complete almost 10,000 miles of new track by 2020. Or consider Brazil, which is investing \$800 billion in a state-of-the art energy grid over the next quarter-century.

I believe there is a growing understanding in the United States that we too need to invest more in our infrastructure if we are going to rebuild this country and move from recovery to long-term economic growth. Yet, as this subcommittee is well aware, the question becomes, how do we pay for it?

Last year, when exploring long-term financing for the Highway Trust Fund, this subcommittee heard Chairman Oberstar lay out his proposal for the Surface Transportation Reauthorization. The bill would authorize \$450 billion in funding over 6 years, which according to Mr. Oberstar is “the minimum amount needed to stop the decline in our surface transportation system, begin to make improvements, and restore and enhance the nation’s mobility and economic productivity.”

This is, of course, just surface transportation. The American Society of Civil Engineers estimates that we need to spend \$2.2 trillion over the next five years just to bring our infrastructure up to an adequate condition.

The legislation that I introduced, along with our colleagues Representatives Ellison, Israel and Weiner, the *National Infrastructure Development Bank Act (H.R. 2521)*, is not a silver bullet, but rather an important way in which we can supplement other federal programs, which

simply cannot make up for this infrastructure investment deficit, with additional funds. In short, a National Infrastructure Development Bank (Bank) as we propose would leverage private dollars to invest in merit-based projects across the country.

The Bank we propose is a development bank for America, an independent government-owned corporation modeled after the European Investment Bank (EIB), which has been successfully investing in critical European transportation, energy and telecommunications infrastructure projects for over 50 years. As members of President Obama's Economic Recovery Advisory Board pointed out in a *Wall Street Journal* op-ed, in 2008 the EIB lent \$81 billion to finance projects and had a target of \$112 billion last year.

Our proposed Bank would be managed by a 5-member Board of Directors with public and private sector experience appointed to six-year terms by the President with the advice and consent of the Senate. The Board's essential function would be to issue 30 plus year federal bonds and use proceeds from the issuance of these bonds to offer loans and loan guarantees to transportation, environmental, energy and telecommunications projects. The Board, under the direction of the Treasury Secretary, could also buy and sell infrastructure-related loans and securities creating a secondary market for U.S. infrastructure development and increasing investments in these sectors.

Under the Board would be a 9-member executive committee headed by the Bank's executive director and including a chief compliance officer, chief financial officer, chief asset and liability management officer, chief loan origination officer, chief operations officer, chief

risk officer, chief treasury officer and general counsel. The executive committee would handle the day-to-day operations of the bank and have finance and infrastructure experts that would recommend projects for the Bank to fund to the Board.

The Bank would have a 5-member risk management committee, headed by the chief risk officer, to create financial, credit, and operational risk management guidelines and ensure diversification of lending activities by both region and infrastructure project type.

Finally, the Bank would have a 5-member audit committee, headed by the chief compliance officer, which would work with outside auditors in providing auditing activities for the Bank.

The Bank would objectively review projects and provide financing for those of significance with clear economic, environmental, and social benefits. Criteria for this merit-based project selection process would include such consideration as a transportation project's ability to reduce surface or air traffic congestion; a water project's public health benefits; an energy project's ability to reduce carbon emissions; or a telecommunication's project's emphasis on deploying broadband to rural and disadvantaged communities.

The Bank as we proposed it is capitalized like other development banks the United States' helps fund, such as the World Bank. It would include \$25 billion in paid in capital through 5 annual \$5 billion appropriations. An additional \$225 billion would be available at the call

of the Treasury Secretary to meet bank obligations if necessary. With a conservative leverage ratio of 2.5 to 1, like the EIB, the Bank could potentially issue up to \$625 billion in bonds.

I emphasize that the Bank we are proposing would need to be self sustaining meaning loans would need to be repaid, including through user fees or other mechanisms. A good example of a project that would be a strong candidate is the Los Angeles plan to expand the L.A. rail system using revenues from a half cent sales tax increase approved by the voters. Currently, it will take Los Angeles 30 years to complete the estimated \$40 billion project as the revenues come in, but with a Bank offering a loan to be paid back with the sales tax down the road, the project could be done, perhaps at a lower cost, in 10 years.

Again, your subcommittee faces many challenges identifying revenue streams to make badly needed investments in infrastructure projects across the country and there are no simple solutions. Yet, I believe that a national infrastructure bank has the potential to channel private dollars from pension funds, sovereign wealth funds, insurance companies and the like, to create a U.S. infrastructure development market that can help meet that need.

CalPERS, for example, the nation's largest public pension fund, announced last month that it has already made \$700 million in infrastructure commitments and is looking to make more direct investments in infrastructure. In so doing, CalPERS is following the very successful path of other pension funds in Australia, Canada and Europe. So the money is out there, even despite the current crisis, and we need to make sure it gets put to work for America.

Our proposal has strong support. The concept is endorsed by Mayor Bloomberg and Governors Rendell and Schwarzenegger's Build America's Future, as well as the National Governor's Association. The bill has support from groups across the spectrum of business and labor, including the American Society of Civil Engineers, Association of General Contractors, Building and Trades (AFL-CIO), Chamber of Commerce, National Construction Alliance II, PolicyLink, SEIU and Transportation for America. It is co-sponsored by 53 of our colleagues, including members of this panel.

I thank you for inviting me to testify today and for your consideration of this legislation. A national infrastructure bank has the potential to supplement existing federal programs to provide additional revenue to critical infrastructure projects across this country that can help improve our way of life and lead to the kind of job creation and economic growth we need to remain competitive in the 21st century.